

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #08-053
FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2007 AND 2006

AUDIT STAFF

Ron Shackelford, CPA
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Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#08-053

BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Kent Ahlswede, President
Board of Directors
Butte County Fair Association
199 East Hazel Street
Gridley, California 95948

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the Butte County Fair Association, Butte County Fair, Gridley, California, as of December 31, 2007 and 2006, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the Butte County Fair Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

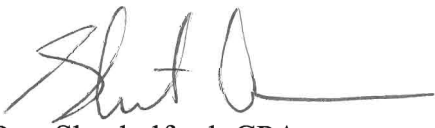
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Butte County Fair Association, Butte County Fair, as of December 31, 2007 and 2006, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Butte County Fair Association has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #08-053, on the Butte County Fair Association's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the Butte County Fair Association as appropriate. This additional report, however, is not a required part of the basic financial statements.


For Ron Shackelford, CPA
Chief, Audit Office

July 11, 2008

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
December 31, 2007 and 2006**

	<u>Account Number</u>	<u>2007</u>	<u>2006</u>
ASSETS			
Cash and Cash Equivalents	111-118	\$ 101,870	\$ 107,839
Accounts Receivable, Net	131	21,230	9,341
Deferred Charges	143	651	1,416
Construction in Progress	190	49,530	27,199
Buildings and Improvements, Net	192	961,112	1,002,976
Equipment, Net	193	2,839	4,258
TOTAL ASSETS		<u>1,137,230</u>	<u>1,153,029</u>
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable	212-226	7,749	7,102
Deferred Income	228	22,910	41,941
Guaranteed Deposits	241	7,200	2,100
Compensated Absences Liability	245	18,160	23,002
Miscellaneous Liabilities	252	9,391	751
Total Liabilities and Other Credits		<u>65,410</u>	<u>74,895</u>
Net Resources			
Reserve for Junior Livestock Auction	251	6,944	6,193
Net Resources - Operations	291	51,396	37,508
Net Resources - Capital Assets less Related Debts	291.1	1,013,480	1,034,433
Total Net Resources Available		<u>1,071,820</u>	<u>1,078,134</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,137,230</u>	<u>\$ 1,153,029</u>

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2007 and 2006

	Account Number	2007	2006
REVENUE			
State Allocation	312	\$ 150,000	\$ 150,000
Capital Project Funds	319	24,321	71,656
Other Funding	340	20,822	18,171
Admissions	410	85,666	84,083
Commercial Space	415	28,700	28,950
Carnival	421	59,600	59,505
Food Concessions	422	41,339	41,362
Exhibits	430	10,098	9,047
Interim Attractions	460	58,823	55,472
Miscellaneous Fair	470	61,842	59,783
JLA - Revenue	476	304,072	294,675
Non-Fair Revenue	480	175,686	155,024
Prior Year Adjustment	490	2,125	2,823
Other Revenue	495	10,979	10,881
Total Revenue		<u>1,034,074</u>	<u>1,041,432</u>
EXPENSES			
Administration	500	193,840	206,525
Maintenance and Operations	520	298,594	287,028
Publicity	540	28,832	29,343
Attendance	560	39,811	34,037
Miscellaneous Fair	570	8,130	13,190
JLA - Expense	576	303,321	297,625
Premiums	580	14,619	11,636
Exhibits	630	29,505	32,940
Attractions - Fairtime	660	53,105	80,197
Attractions - Interim	670	4,054	1,068
Prior Year Adjustments	800	329	1,834
Cash Over/Short from Ticket Sales	850	152	158
Depreciation	900	43,283	62,487
Millenium Flex Program	930	22,812	47,775
Total Expenses		<u>1,040,387</u>	<u>1,105,843</u>
RESOURCES			
Net Change - Income / (Loss)		(6,314)	(64,411)
Resources Available, January 1		1,078,134	1,142,545
Resources Available, December 31		<u>\$ 1,071,820</u>	<u>\$ 1,078,134</u>

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (6,314)	\$ (64,411)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(11,889)	(597)
(Increase) Decrease in Deferred Charges	765	466
Increase (Decrease) in Accounts Payable	648	269
Increase (Decrease) in Deferred Income	(19,031)	40,156
Increase (Decrease) in Compensated Absence Liability	(4,841)	5,984
Increase (Decrease) in Miscellaneous Liabilities	8,640	(1)
Increase (Decrease) in Guaranteed Deposits	5,100	750
Total Adjustments	<u>(20,608)</u>	<u>47,027</u>
Net Cash Provided (Used) by Operating Activities	<u>(26,922)</u>	<u>(17,384)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	(22,330)	(26,241)
(Increase) Decrease in Buildings & Improvements	41,864	41,864
(Increase) Decrease in Equipment	<u>1,419</u>	<u>1,419</u>
Net Cash Provided (Used) by Investing Activities	<u>20,953</u>	<u>17,042</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(5,969)	(342)
Cash at Beginning of Year	107,839	108,181
CASH AT END OF YEAR	<u><u>\$ 101,870</u></u>	<u><u>\$ 107,839</u></u>

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Butte County Fair is a California nonprofit corporation under Section 501c(3) of the Internal Revenue Code and similar California provisions, with the purpose of conducting and administering a fair for Butte County. A board of directors governs the Butte County Fair. The County Board of Supervisors appoints all of the Fair Board of Directors. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the Butte County Fair. The Butte County Fair is subject to the policies, procedures, and regulations set forth by management and the Board of Directors.

The State of California allocates funds annually to the County of Butte, which is then given to the Butte County Fair, to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the Butte County Fair conform to accounting principles applicable to County Fairs as prescribed by the Division of Fairs and Expositions' Accounting Procedures Manual. The Butte County Fair Association's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges.

The Butte County Fair's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – No provision is made for income taxes. The Fair is a non-profit tax-exempt organization under Internal Revenue Service Code Section 501 (c) 3 and California Revenue and Taxation Code Section 2370 (d). All programs operated by the Fair are exempt from income taxes.

Cash and Cash Equivalents - The Butte County Fair Association's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the Butte County Fair approximates market value.

The Butte County Fair Association has an interest-bearing account through the County of Butte Treasurer. Funds from the County, through agreements with the Butte County Fair Association, as well as allocations from the State of California are recorded into this account. The account is highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the Butte County Fair Association is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Property and Equipment - Construction in progress, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and fully depreciated. Although the Fair leases the land it operates the fair from the County, it has elected to account for amounts spent on buildings and improvements in Account #192, Building and Improvements, rather than Account #194, Leasehold Improvements, due to Government Code Section 25092 which requires the Fair to separately account for and identify amounts spent on such improvements. Such amounts would be returned to the State if the County elects to use the land for other purposes. These improvements are depreciated over a period of 30 years. Amounts spent on the purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore,

donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. No depreciation is recorded on construction in progress until the project is completed and the asset is placed in service. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the Butte County Fair Association's sales of merchandise. The Butte County Fair Association collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The Butte County Fair Association's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the Butte County Fair Association as of December 31:

	<u>2007</u>	<u>2006</u>
Petty Cash	\$ 100	\$ 100
Cash in Bank - Operating	51,848	45,738
Cash in Bank - Premium	116	-
Cash in Bank - Payroll	481	500
Cash in County Treasurer	<u>49,325</u>	<u>61,501</u>
Total Cash and Cash Equivalents	<u><u>\$ 101,870</u></u>	<u><u>\$ 107,839</u></u>

NOTE 3

ACCOUNTS RECEIVABLE

The Butte County Fair Association is required to record an allowance for doubtful accounts based on estimates of collectibility.

	<u>2007</u>	<u>2006</u>
Accounts Receivable - Trade	\$ 21,230	\$ 5,541
Accounts Receivable - CCA	-	3,800
Allowance for Doubtful Accounts	-	-
	<u> </u>	<u> </u>
Accounts Receivable - Net	<u>\$ 21,230</u>	<u>\$ 9,341</u>

NOTE 4 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Building & Improvements	\$ 2,203,214	\$ 2,203,214
Less: Accumulated Depreciation	(1,242,102)	(1,200,238)
Building & Improvements - Net	<u>\$ 961,112</u>	<u>\$ 1,002,976</u>
Equipment	\$ 114,230	\$ 114,230
Less: Accumulated Depreciation	(111,391)	(109,972)
Equipment - Net	<u>\$ 2,839</u>	<u>\$ 4,258</u>

NOTE 5 **RETIREMENT PLAN**

All full-time employees of the Butte County Fair Association participate in PERS, a multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Association is part of a “cost-sharing” pool within PERS. One actuarial valuation is performed for the Butte County cost-sharing pool, and the same contribution rate applies to the entire County.

Employees are eligible for retirement at the age of 60 and are entitled to a monthly retirement benefit based on 2 percent of the highest annual compensation’ accumulated contributions are refundable with interest credited through the date of separation.

Benefit provisions for PERS are established by the Public Employees Retirement Law (Part 3 of the California Government Code, Sec. 20000 et seq.) PERS does not make separate measurements of assets and pension benefit obligations for the individual components of the cost-sharing pool of the County.

To aid its employees not qualified for PERS in planning retirement, the County of Butte offers two 457 Deferred Compensation programs. Deposits into these plans are strictly voluntary and are made through a payroll deduction. The County of Butte does not make contributions to the

employees' Deferred Contribution accounts. Contributions to either of the plans are made on a tax deferred basis.

NOTE 6 **RECLASSIFICATION**

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Butte County Fair Board of Directors
1	Chief Executive Officer, Butte County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

MANAGEMENT REPORT #08-053

YEAR ENDED DECEMBER 31, 2007

BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Pamela Vallerger

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#08-053

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Kent Ahlswede, President
Board of Directors
Butte County Fair Association
199 East Hazel Street
Gridley, California 95948

In planning and performing our audit of the financial statements of the Butte County Fair Association, Butte County Fair, Gridley, California, for the year ended December 31, 2007, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Butte County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the Butte County Fair Association's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the Butte County Fair Association's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed;



(2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the Butte County Fair Association in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The Butte County Fair Association's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the Butte County Fair Association's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the Butte County Fair and compliance with state laws and regulations, we identified one area with reportable conditions that are considered weaknesses in the Fair's operations: Accounting for Junior Livestock Auction Activity. We have provided six recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the Fair's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

ACCOUNTING FOR JUNIOR LIVESTOCK AUCTION

A review of the Fair activities for its Junior Livestock Auction (JLA) revealed deficiencies in the Fair's JLA cash accounting, reserve balance planning, and courtesy pass accounting. The following weaknesses were noted.

JLA Cash Accounting

The Fair did not perform a reconciliation of its JLA Cash account to the JLA Reserve account as required. Although the Fair is a non-profit entity, per terms of lease agreement with the County of Butte, it is required to keep records in accordance with Fairs and Expositions' (F&E) regulations. Per F&E's Accounting Procedures Manual (APM), Section 5.1, the Fair should maintain a separate bank account for JLA and reconcile the cash account to the related reserve account annually. Account #251, JLA Reserve should be equal to the JLA Cash account balance plus outstanding JLA receivables less outstanding JLA payables.

Additionally, the Fair's JLA Cash account showed no entries to record payments that would have been received from auction buyers related to JLA revenues. One of the primary purposes for maintaining a separate bank account for JLA is to provide accounting transparency for activities related to the JLA. At year-end 2007, the Fair's reconciliation and bank statement for account #121, Cash – JLA, showed a zero balance. There was no tracking of checks that may have been still outstanding on the account. As was noted in past audits, the Fair did not appear to have any formal agreement with its bank to track and reconcile checks that remained outstanding for JLA payments to sellers. There was no substantiation for JLA funds transferred to the Operating Cash account at year-end, and direct journal entries were made to the #251, JLA Reserve account to record the transaction. Funds likely should have been transferred from the Operating Cash into the JLA Cash account, to provide for the payments that were receipted into Operating Cash rather than JLA Cash where they appropriately belonged. The JLA Cash account should have seen an increase in balance from JLA activities net of the loan repayment, but this did not occur. The Fair has established all the appropriate general ledger accounts related to the proper tracking of JLA activities, as required by APM, Section II, 5.1; however, it needs to ensure that proper accountability is maintained for these accounts, especially JLA Cash.

Reserve Balance Planning

The Fair did not have a specified reserve balance or a documented plan related to the administration of its JLA activities. Per APM, Section II, 5.11, the Board should specify minimum and maximum balances for the #251 – JLA Reserve account, with the minimum balance being sufficient to cover bad debts and other unforeseen expenses. Additionally, the CEO should annually assess the commission retained by the Fair and work with the Board to determine whether adjustment is needed to ensure all auction costs are being covered and that the Fair does not need to supplement the auction out of its operating reserves. Per the APM, should the reserve account exceed the maximum set by the Board, a plan should be

developed to either reduce the amount retained for commission or spend excess amounts on items to specifically benefit the livestock program.

Courtesy Pass Accounting

The Fair inaccurately reported free passes provided to Livestock Auction patrons as JLA expense and discount admissions revenue for the Fair. The Fair provided courtesy passes to individuals who had purchased at the Livestock Auction in the previous year. Rather than acknowledge these passes as free admissions, the Fair recorded an expense to the JLA and recognized revenue to the Fair at an arbitrary, reduced admissions rate. As a result of this accounting, both the Fair's admissions revenues and JLA Expenditures were overstated by approximately \$1,548. Due to the overstatement of JLA Expenditures, the Fair reported a net loss for the year of \$767 on its Statement of Operations (STOP), rather than the net gain of \$751 that should have been reported for JLA activities. Also, given that these were courtesy passes that had been unaccounted for when determining the courtesy passes provided by the Fair for the year, recalculations showed that the Fair exceeded the 4% limitation, issuing instead approximately 7.5% of its prior year's paid admissions in courtesy passes. According to California Food & Agriculture Code, Section 3026, "The percentage of courtesy pass admissions to any state, county, or citrus fruit fair shall not exceed 4% of the gross paid admissions to the fair in the preceding calendar year."

Recommendations

- 1. The Fair should reestablish the balance in its JLA Cash account to accurately reflect the amount held as a reserve for JLA activities. The reconciliation of the Fair's JLA Cash account to its JLA Reserve account should be performed annually to assist in ensuring all revenues and expenditures for JLA activities are properly accounted for.*
- 2. The Fair should ensure it is maintaining proper accountability over its JLA Cash account. Outstanding checks paid to JLA sellers should be tracked to determine whether these checks have cleared the bank. Payments from buyers should be reflected in the JLA Cash account, generally by an increase in the account in excess of the amounts paid out to sellers.*
- 3. The Fair should refrain from making direct entries into its #251, JLA Reserve account. The entries into this account should reflect only the closing of JLA revenue and expenditure accounts at year-end. Cash transfers between accounts should be posted appropriately to the G/L cash accounts, not to a reserve account.*
- 4. The Fair should comply with the APM and, with the approval of its Board of Directors, specify a minimum reserve balance. The balance in the JLA Reserve should be sufficient enough to ensure that the Livestock Auction will be provided for, regardless of bad debt or unforeseen issues and with minimal impact on other Fair operations.*
- 5. The Fair should refrain from using its JLA activities to record discount admissions. If the Fair wishes to use this procedure for tracking certain hypothetical admissions, then the two accounts should be closed out against each other before reporting figures for actual JLA expenditures and fairtime admissions. The Fair should report these passes in*

the appropriate area on its STOP, as a courtesy admission rather than a discount admission.

6. *The Fair should properly assess its courtesy passes to include all free admissions to the Fair. Additionally, the Fair should adhere to the 4% courtesy admissions threshold as set by California Food & Agriculture Code, Section 3026.*

NON-REPORTABLE CONDITIONS

UNRECORDED DEPOSITS

The Fair did not properly record two deposits totaling \$1,391 at year-end 2007. Two cash receipts were both received prior to December 31, 2007. Generally accepted accounting principles (GAAP) require the proper presentation of cash and cash equivalents as of the year-end cutoff date. Due to the lack of posting the cash receipts, the Fair's Account #113, Operating Cash, was understated by \$1,391 at year-end 2007.

Recommendation

The Fair should ensure that it is properly tracking all cash it has received. The Fair should comply with GAAP and ensure that its cash accounts are fairly presented at the year-end cutoff date. Proper posting to the Fair's accounts should occur prior to the Fair closing its books and preparing its STOP for the year.

CONCESSIONS REVENUE

The Fair exposed itself to loss by not obtaining the supporting keg reports to verify its revenues due from its fairtime alcohol concessionaire. Per APM, Section II, 2.23, "the Fair must be vigilant to make sure all revenue is reported," especially when the revenues due are based on a percentage of sales. The Fair provided the settlement sheets received from its concessions vendor; however, there were no keg reports or z-tape copies to support the amounts calculated by the vendor, nor was there any evidence that the Fair had reviewed any documentation to substantiate the figures. The Fair should maintain keg reports, as well as settlement sheets and z-tape records, for all of its concessionaires, including its alcohol concessionaires. At a minimum, the Fair should ensure it performs and documents the verification of the amounts reported.

Recommendations

The Fair should ensure it is reviewing and properly documenting the support for the amounts reported by all its concessionaires, including its alcohol concessionaires. This ensures that the Fair is receiving all amounts it is due and maintains the proper level of documentation required for substantiation of revenue the Fair has reported.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE



September 26, 2008

Ron Shackelford , CPA
Chief Audit Office
Department of Food And Agriculture
1220 N Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford:

The following is the response by the Butte County Fair Association to the reportable conditions reported in management report #08-053.

As stated in the report under the reportable conditions the fair did not perform a reconciliation of its JLA Cash account to the JLA Reserve account as required and inaccurately reported free passes provided to Livestock Auction patrons as JLA expense and discount admissions revenue for the fair. In the future, we will take the appropriate steps to ensure that we are working within the guidelines and regulations that Fairs and Expositions' has set regarding our JLA accounts. We will also update our procedures with reporting courtesy passes for Livestock Auction patrons. We wish to thank your staff for their assistance and clarification in regards to this matter.

The non-reportable items have been addressed and rectified. We are very pleased that your office could once again conduct our audit. Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kent Ahlswede".

Kent Ahlswede
President

A handwritten signature in cursive script, appearing to read "Robert Williamson".

Robert Williamson
CEO



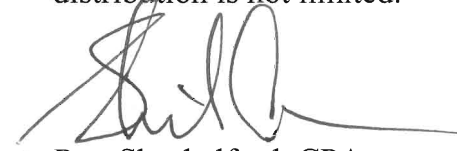
C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the Butte County Fair Association, Butte County Fair, for their review and response. We have reviewed the response and it satisfactorily addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between June 30, 2008 and July 11, 2008. My staff met with management on July 11, 2008 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read 'Ron Shackelford', with a long horizontal flourish extending to the right.

For Ron Shackelford, CPA
Chief, Audit Office

July 11, 2008

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Butte County Fair Board of Directors
1	Chief Executive Officer, Butte County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office